



DOD Procurement Conference



Transforming the Defense Logistics Agency

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Discussion Points

- ☐ **The Agency**
- ☐ **Case for Change**
- ☐ **Our Transformation**
- ☐ **Business Systems Modernization**
- ☐ **Summary**

The background of the slide features a large, wavy American flag. The stars are visible on the left side, and the stripes flow across the frame. At the bottom, there is a dark silhouette of a group of soldiers standing in a line, looking towards the right. The overall tone is patriotic and formal.

The Agency



Defense Logistics Agency

DoD's Combat Logistics Support Agency

FY02 Sales/Services: \$21.5B

FY03 Sales/Services: \$25B

FY04 Projection: \$28.9B

- Land/Maritime/Missiles \$2.7B
- Aviation \$3.3B
- Troop Support \$10.2B
- Energy \$5.2B
- Distribution \$2.2B
- Other \$1.4B

- ~95% of service's repair parts
- 100% of service's subsistence, fuels, medical, clothing & textile, construction & barrier materiel

Foreign Military Sales

- Sales \$719M
- Shipments 580K
- Supporting 124 Nations

Scope of Business

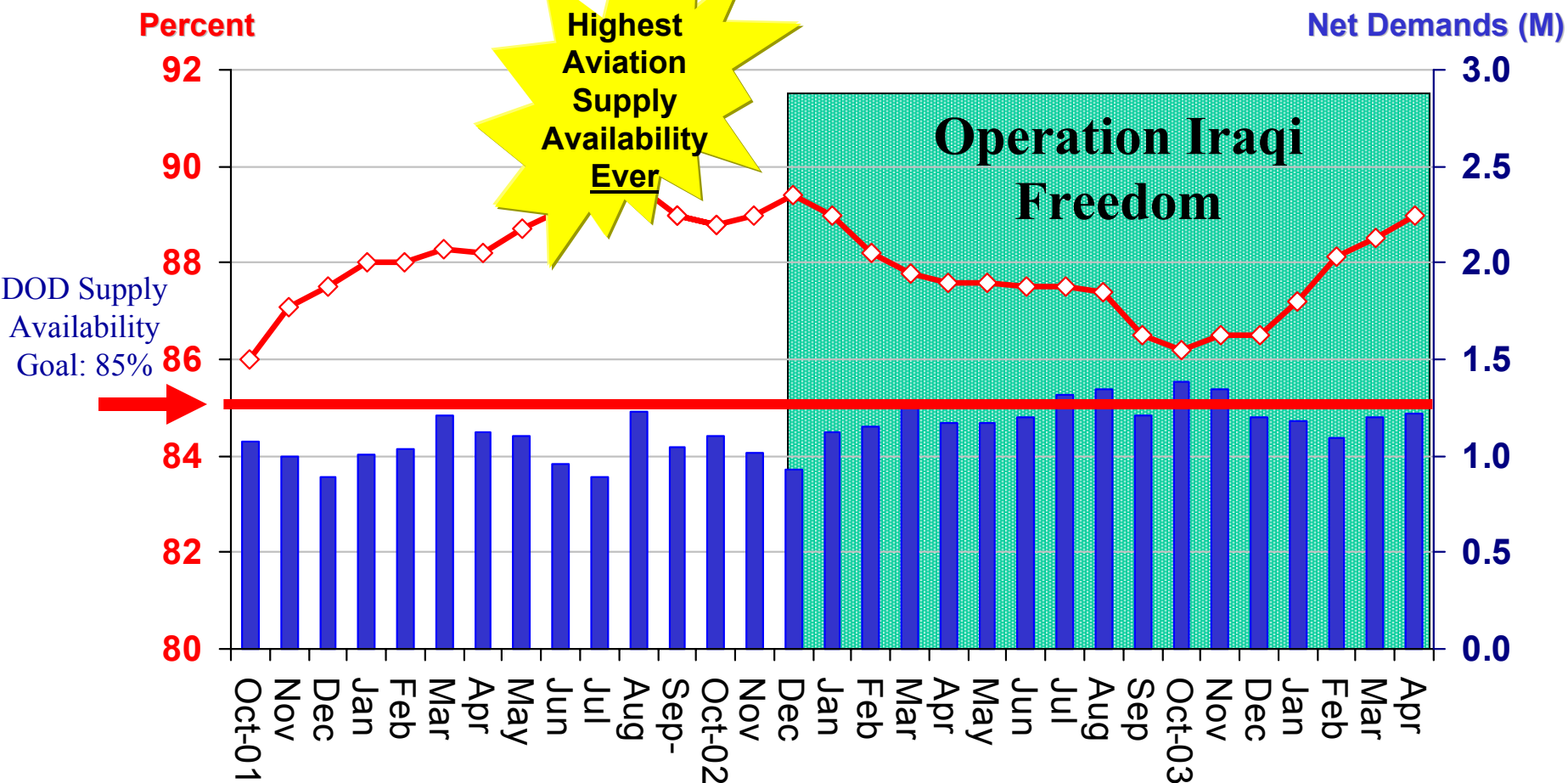
- 45,000 Requisitions/Day
- 8,200 Contracts/Day
- #65 Fortune 500 - Above New York Life
- #2 in Top 50 Distribution Warehouses
- 23 Distribution Depots
- 4.6 Million NSNs
- 24.7M Annual Receipts & Issues
- 1312 Weapon Systems Supported
- 147.7M Net Barrels Fuel Sold (FY03)
- \$12.5B Annual Reutilizations/Disposals

People

- 21,433 Civilians
- 522 Active Duty Military
- 618 Reserve Military
- Located in 48 States/28 Countries



Supply Availability Hardware Total





Backorders – Hardware Total

Thousands

450

350

250

Oct-01
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct-02
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct-03
Nov
Dec
Jan
Feb
Mar
Apr

**Operation Iraqi
Freedom**

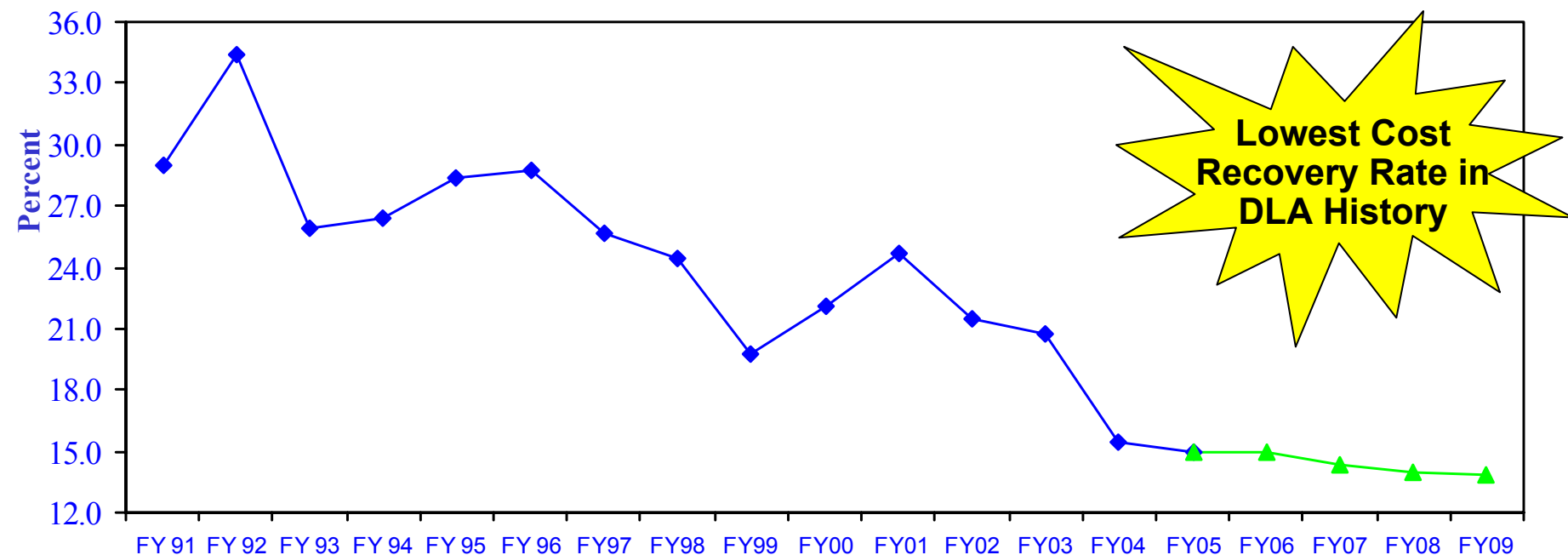
**Lowest In
DLA
History**



Cost Recovery Rates Over Time

CRR %

(Operating Costs as a Percentage of Total Sales)



Savings Returned to Warfighter

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Case for Transformational Change



Case for Transformation

☐ Legacy Environment on Final Breath

- Designed in the sixties, built in the seventies
- Six Million+ lines COBOL code
- Mainframe environment, batch processing
- Stove piped applications, multiple instances
- Time late, ... data & financial integrity issues
- Inflexible systems alignment
- Costs not well understood

☐ Commercial systems solutions available



Case for Transformation

- Customer & Supplier Relationships
 - Arms-length
 - Transaction based
 - Reactive – v – proactive
 - Holding company – v – one enterprise approach
- Supply chains sub-optimized
- Customer dissatisfaction
- Losing sales and market position

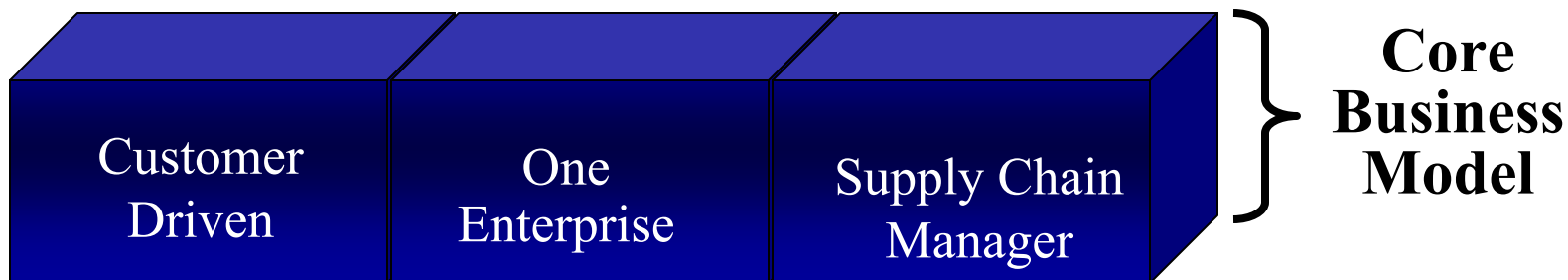
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The Transformation



Transformation

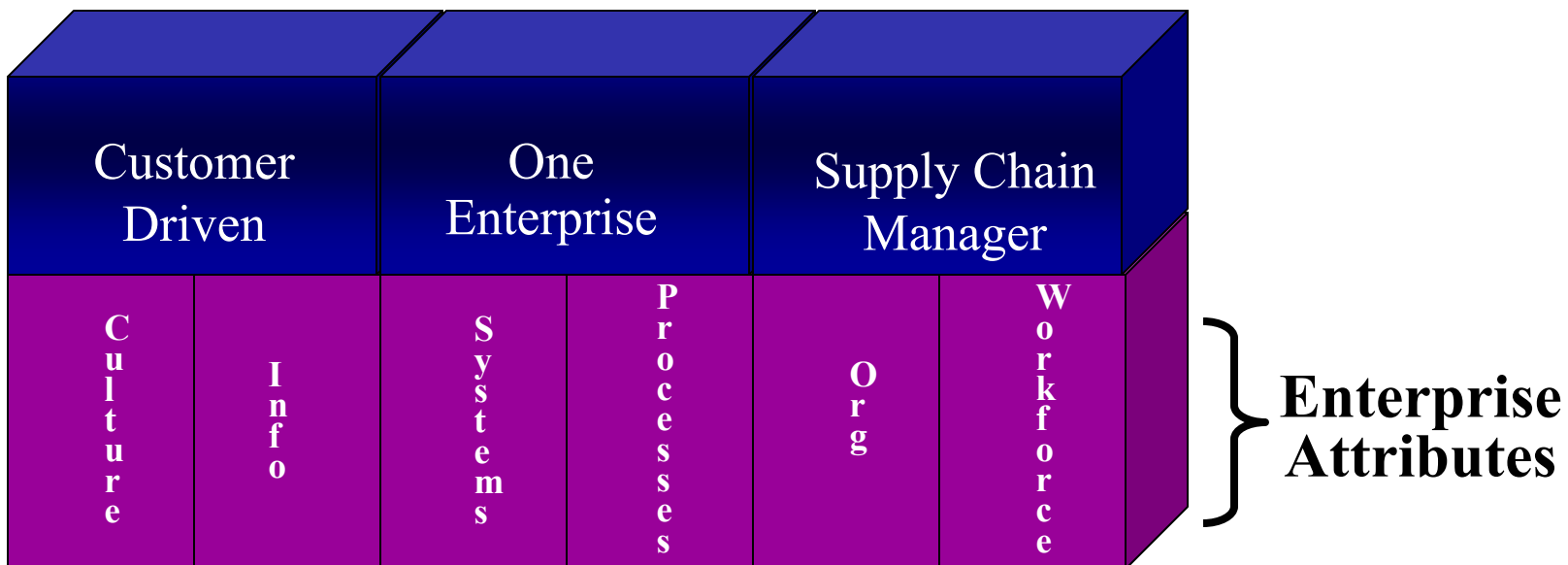
Our View from 100,000'





Transformation

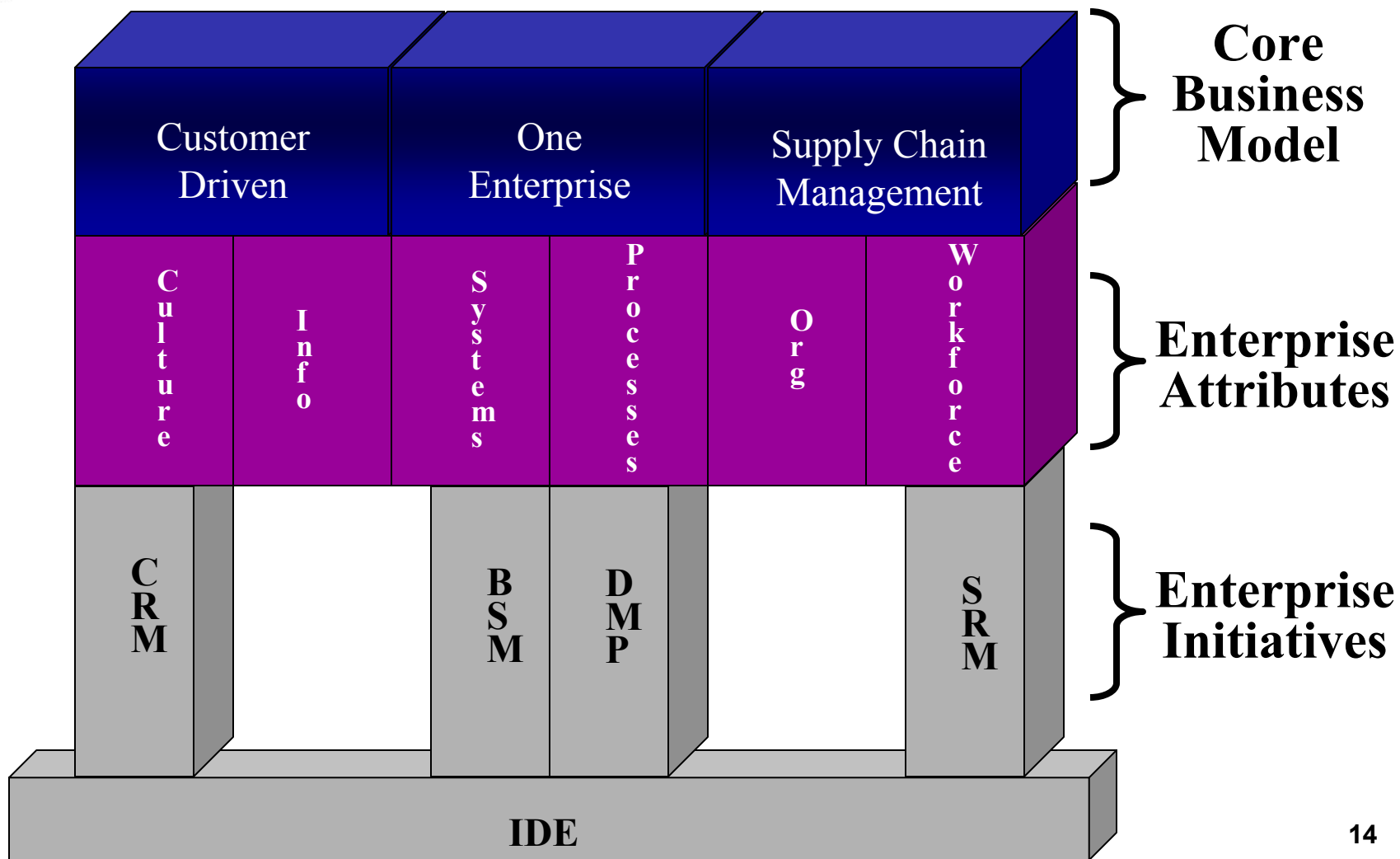
Our View from 100,000'





Transformation

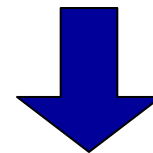
Our View from 100,000'



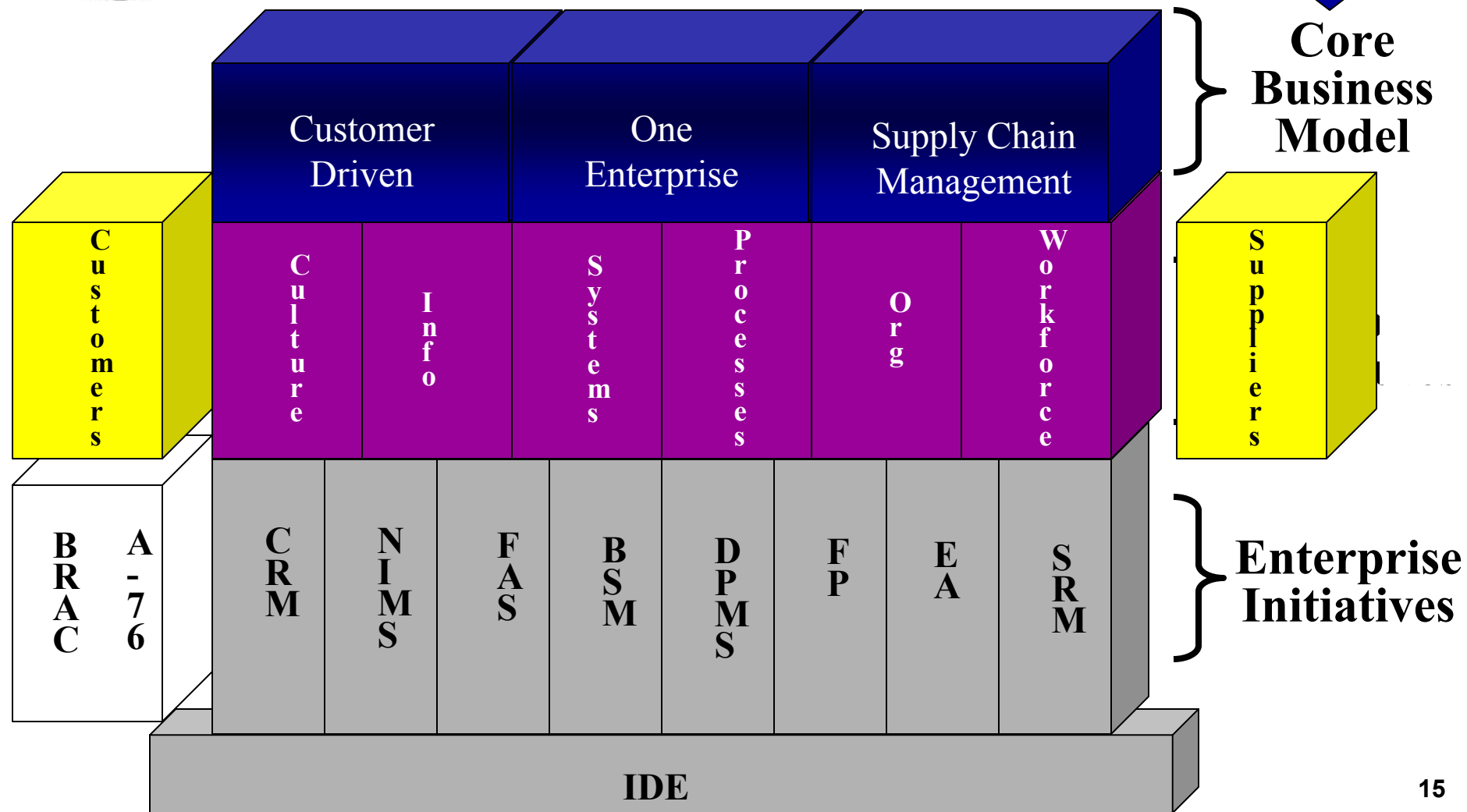


Transformation View from 100,000'

Transforming



Core
Business
Model





Business Systems Modernization



Business Systems Modernization is ...

- **Major transformation effort--massive change for our workforce, creation of an enterprise**
- **Incorporating Best Practices via Commercial-off-the-Shelf (COTS) based tools**
 - **SAP = ERP platform**
 - **Niche bolt-on products (e.g., demand planning = Advance Planning and Scheduling COTS, procurement = GOTS)**
- **BSM replaces 30-year old Materiel Management Systems ... and our processes were embedded in those systems**
- **The core of DLA's Enterprise Architecture**
- **Partnered with Accenture as Systems Integrator**

**Major Reengineering Effort ... from functionally stove--
piped segments to cross-cutting Enterprise-wide processes**

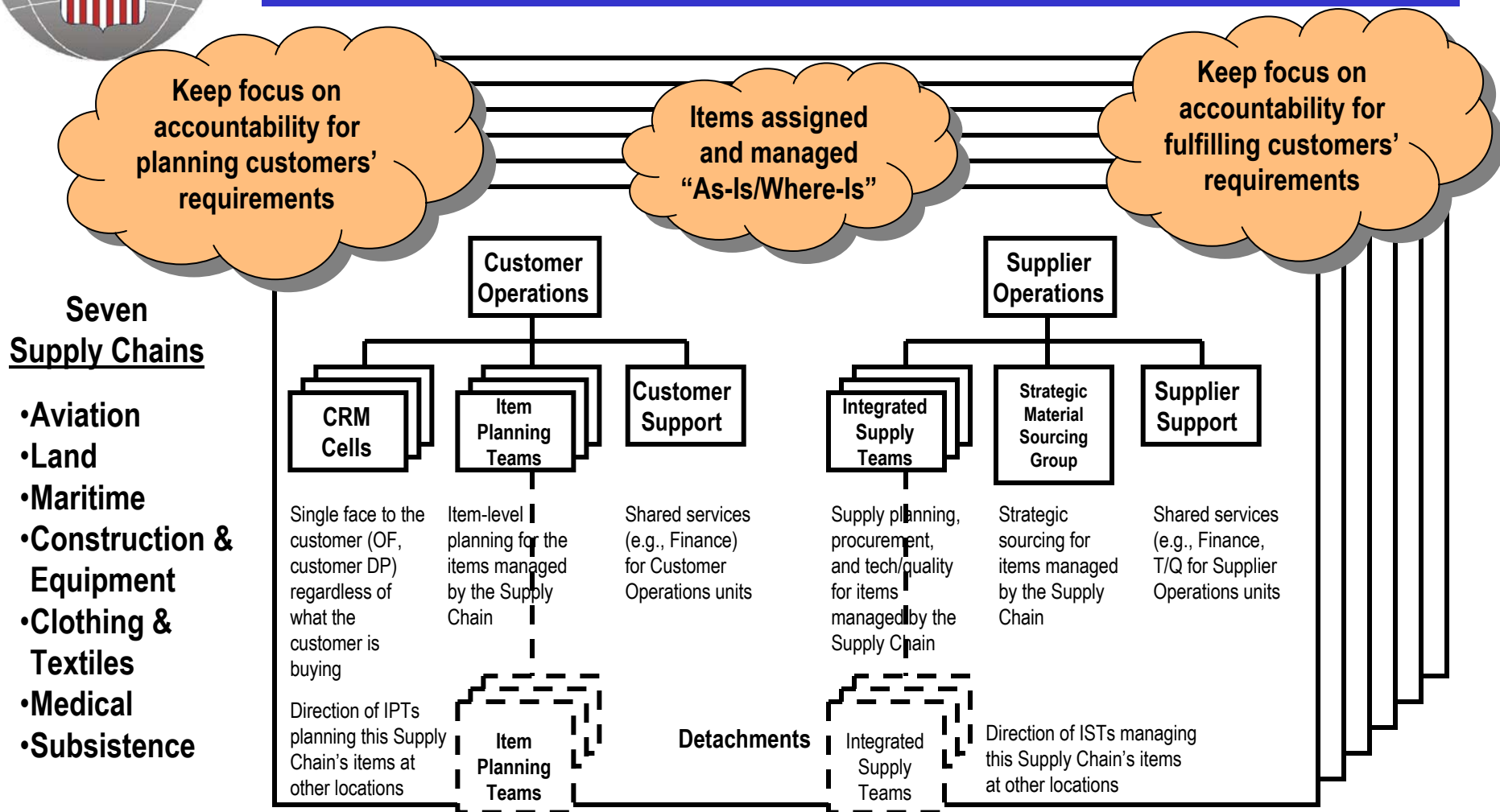


BSM Releases

- **Release 1 Concept Demonstration July 31, 2002**
 - End-To-End Material Management, Financials and Procurement
 - Hardware, Medical, Subsistence, Construction
 - Limited User Population (900 of 4500 users)
 - Broad range of functionality and business lines
- **Release 1.1:**
 - Battle Dress Uniforms, Subsistence
 - Implemented - November 30, 2003
- **Release 1.2**
 - Implemented - May 3, 2004
- **Release 2.0:**
 - Implement – July 2004



Organization Alignment – Supply Chains



"Supply Chain" = Customer Operations + Supplier Operations with Distribution functions across the chain



BSM Release 1 COTS Components

BSM Program Primary COTS Components

SAP

- Order Fulfillment
- Procurement
- Financial Management



AcquiLine

- Solicit
- Award
- Report

manugistics

- Demand Planning
- Supply Planning
- Collaboration

SeeBeyond eGate

DAASC

Vendors



Supply Chain Partners



Services/
CCs



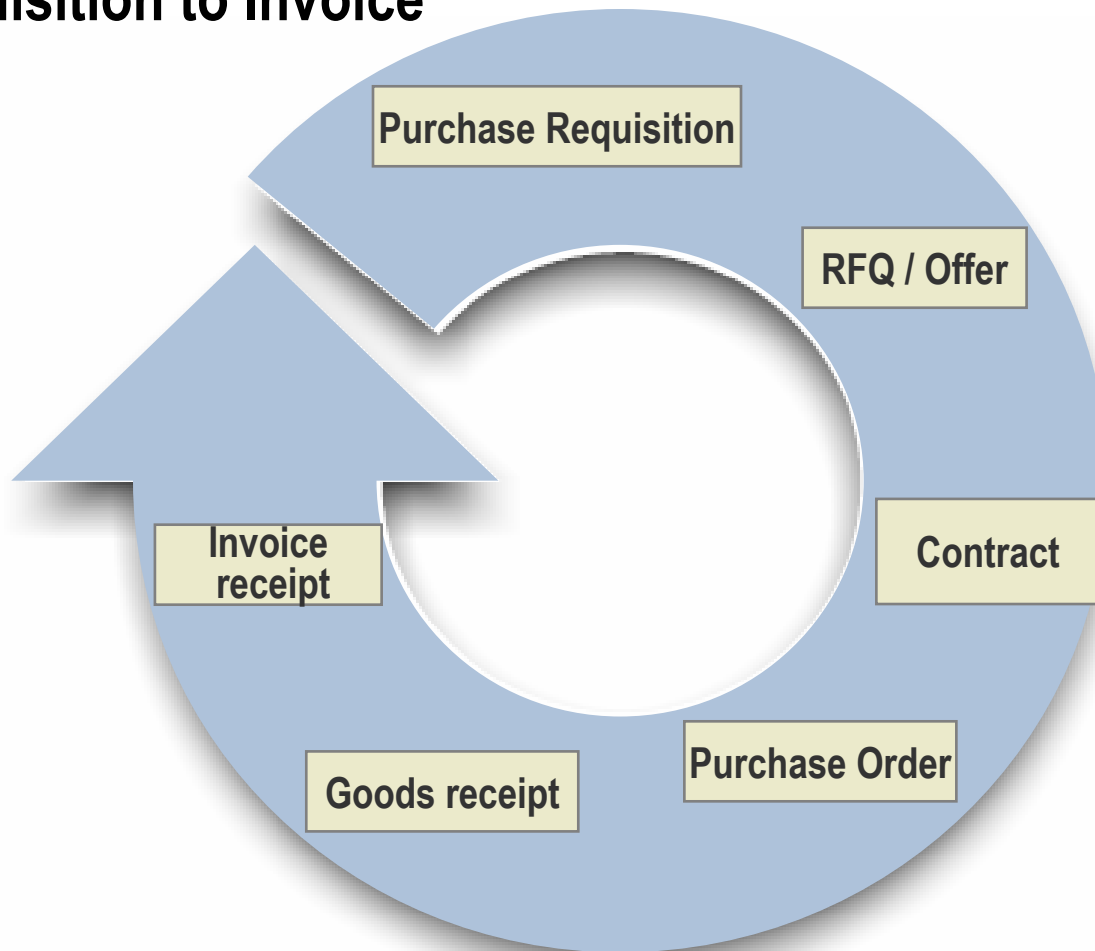
COTS-based
without modifications

Interoperable



Commercial Procurement Process

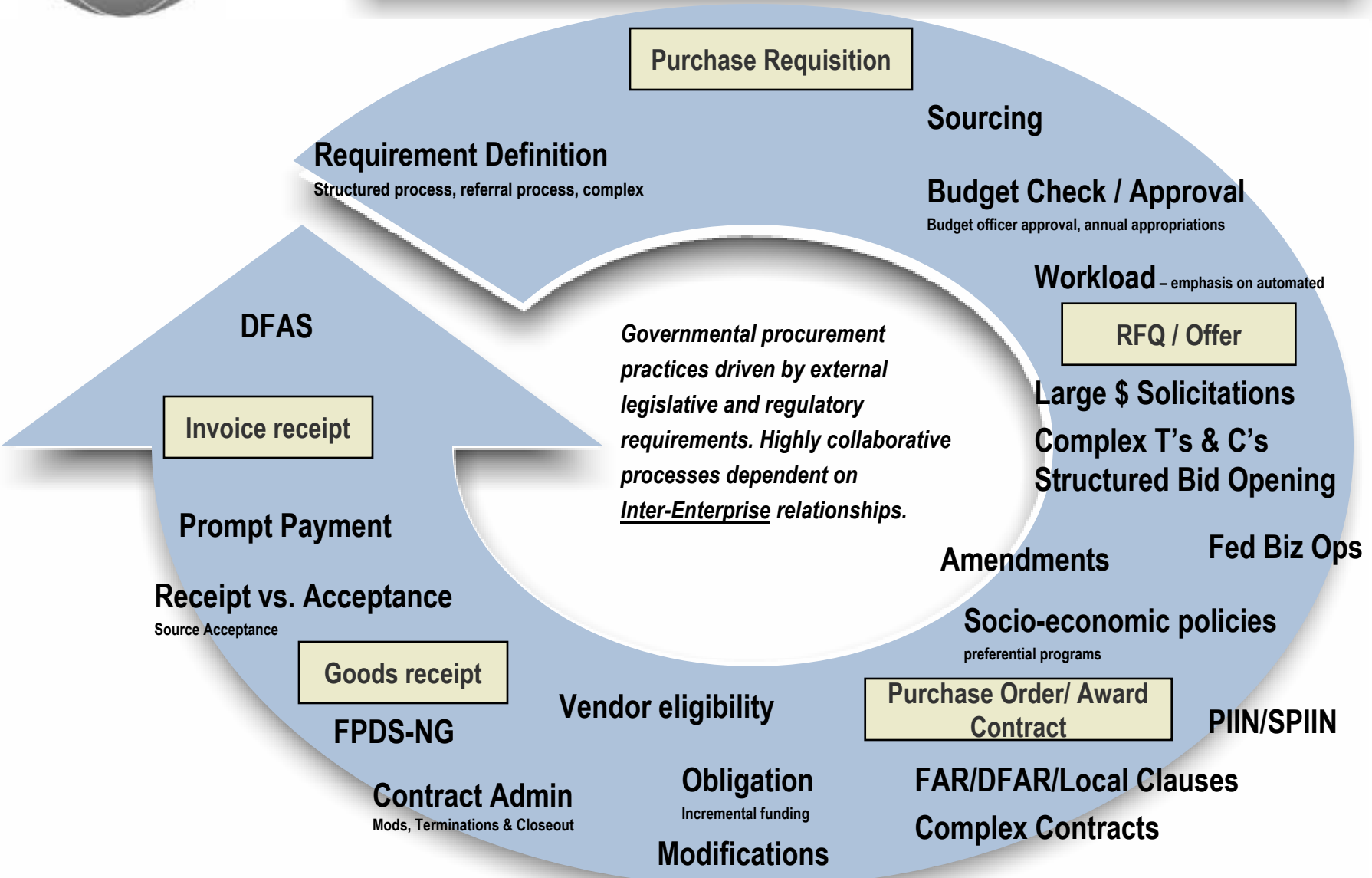
Commercial Procurement Process Flow Example: Requisition to Invoice



**Majority of process and
format of transactions are
controlled by the Enterprise**



The Government Procurement Process





DLA needs a Procurement Platform That...

Enables **OPERATIONAL EXCELLENCE**

- Delivers end-to-end processes
- Scales with business growth
- Manages cost of operations

Enables **SPEND CONTROL**

- Creates common view of data
- Enforces internal compliance
- Monitors supplier performance

Enables **BUSINESS CHANGE**

- Provides process flexibility
- Accelerates supplier adoption
- Supports future innovation

The Agency is pursuing a new procurement platform, based on COTS Supplier Relationship Management (SRM) principles



BSM Strategy for Procurement Bottom-Line

- DPACS legacy solution for Release 2 and BSM roll-out
- SAP long term solution



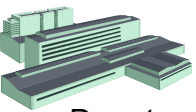
Customer
Processes



Operations



Readiness



Depot
Maintenance



Base/Post
Operations

DLA Target Architecture

Web Portal

Security Authentication

Corporate Information Services,
Translation, Information Exchange, Reference Data

Customer Relationship
Management

manugistics
Demand/Supply
Planning

Supply Chain Management



eProcurement

Financial Management

Distribution Planning & Mgmt

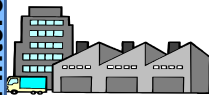
Enterprise Integrated Data Environment

Standards-based Interoperability

Supplier/
Partner
Processes



Transportation



Manufacturers



Distributors



Financial
Management



SRM

Supplier Operations Infrastructure

Strategic Materiel Sourcing Group (SMSG)	Supplier Relationship Manager (SRM)	Integrated Supplier Team (IST)
Develops Sourcing Strategies	Primary POC for key supplier	Develops and Monitors Key Performance Indicators (KPIs) and Balanced Score Card (BSC)
Analyzes product, customer, and supplier information strategies	Initiates, develops, and monitors partnerships with key suppliers	Executes and administers transactional workload
Contingency planning/Industrial preparedness	Collaborates with National Account Manager (NAMs) and Customer Account Manager (CAMs)	Works with SRM in collaboration with Services



SRM

Demographic Study

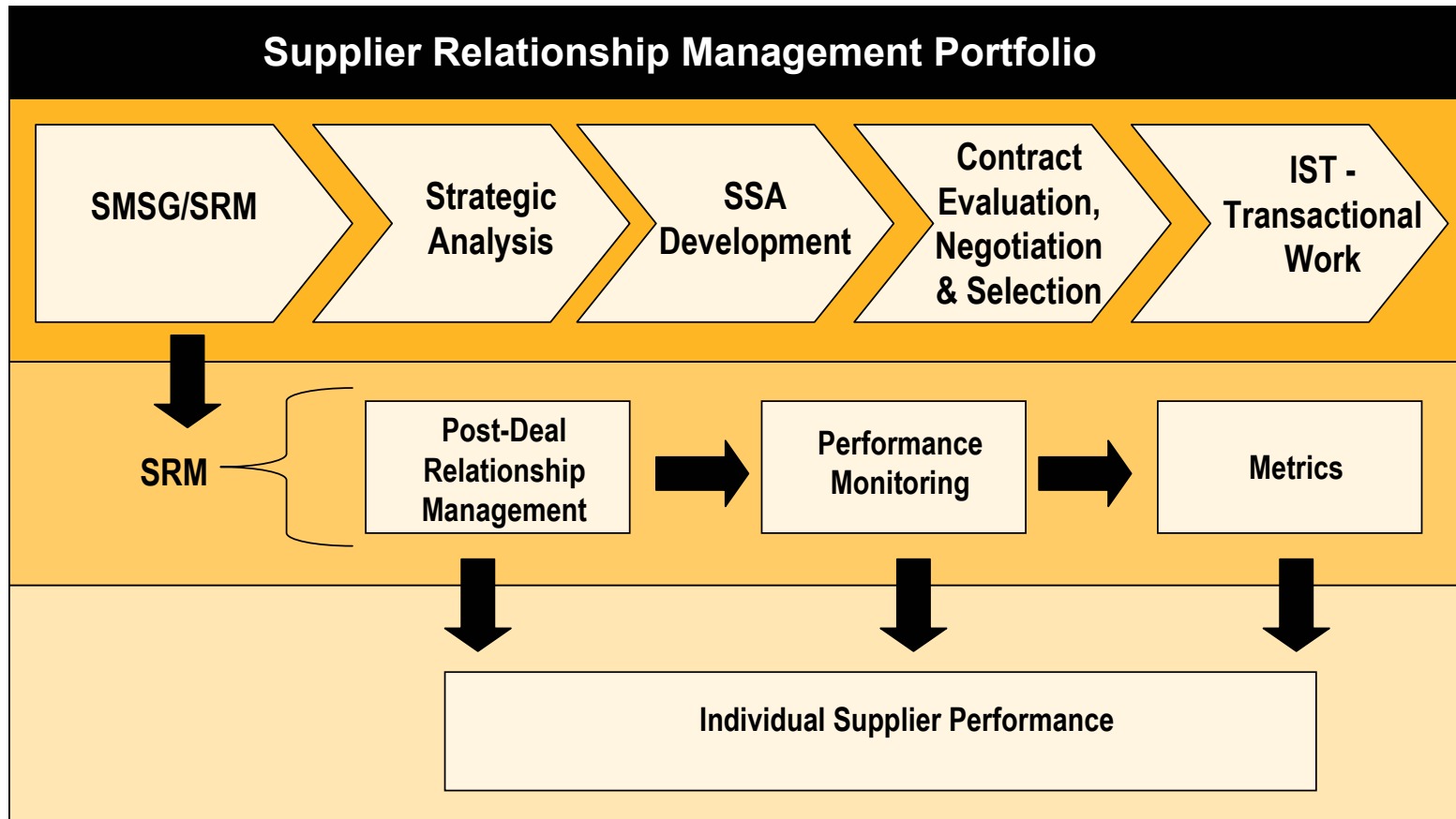
Demographic Study

- Overall understanding of who DLA suppliers are
 - Supplier size
 - DLA spend per supplier
 - Location
 - Business Type
- After gaining knowledge of who suppliers are
 - Further analysis to determine level of DLA interaction
 - Perform supplier segmentation based on key demographics
 - Identify key areas for process improvements
- All Supply Chains to be assessed



SRM

SRM Strategic Alignment



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Summary



Bottom Line

- ☐ Agency committed to delivering a large portfolio of transformational initiatives and to sustaining high levels of mission support
- ☐ 2002-2007 will be the most challenging years in the Agency's history
- ☐ The extended DLA team must perform with exceptional effectiveness and efficiency for us to be successful